

Wiltshire Pension Fund

Report and Accounts
for the year ended 31 March 2010



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1. Chairman's foreword

It is with pleasure that I present this Annual Report of the Wiltshire Pension Fund.

The Fund is administered by Wiltshire Council for local authorities and other local government associated organisations. This Report is primarily aimed at the participating employer organisations within the Wiltshire Pension Fund, listed on page 5. Membership of the Fund continues to grow steadily and there are presently 64 member organisations. The Fund's value has increased by £321 million to £1,167 million, hopefully a reflection of financial markets gaining confidence during 2009/10 after the turbulent times of 2008/9.

The Fund has 19,900 employees currently contributing to it and 10,700 retired employees are receiving regular payments. Cash flow is positive as income from employers and employees exceeds payments to pensioners, a situation which is likely to continue for the foreseeable future.

There have been no changes in terms of Councillor membership to the Pension Fund Committee since the new Committee was appointed following the formation of Wiltshire Council in April 2009. However, we would like to welcome Mr Jim Edney as an Independent Pension Fund Advisor (IPFA), from CIPFA Business Services. Mr Edney replaces Mr Keith Neale who has undertaken the role of IPFA since 2003. We thank Keith for his guidance and advice over the years and offer him our best wishes for the future. An additional Admitted Body representative Mrs Irlene Cooper joined

the Committee effectively replacing the previous District Council member. Mrs Cooper is Director of Finance for Wiltshire College and therefore represents the Education Scheduled bodies within the Fund.

Following the turbulence of financial markets in 2008/09 returns crept back into positive territory in 2009/10. The annual return for the fund was 35.9% compared to the consolidated benchmark of 32.5%. Wiltshire Pension Fund achieved 44th out of 88 Local Authority funds within the WM Local Authority League tables which is an improvement from 80th last year. The average return of the WM universe was 35.1%. The Committee continues to monitor investment manager performance and intends to undertake a detailed review of the Investment Strategy during 2010/11.

A good deal of work has been undertaken to ensure administration procedures are more efficient and result in a higher quality of administration service for scheme members. An Administration Strategy has also been approved by the Committee and is intended to work in tandem with the Communication Strategy in promoting the effective and efficient transfer of data and information between employer bodies and the Fund.

Two significant changes in 2009 were the move to unitary status for Wiltshire Council with the merging of the four district authorities with the County Council and the introduction of a new business management system (SAP). Much work has

been undertaken to ensure an effective transition during this time. The Fund now maintains its own general ledger within SAP and has its own separate bank account through which all transactions are processed. The Committee also approved its first Treasury Management Strategy for Wiltshire Pension Fund. This strategy ensures that the cash managed by Wiltshire Pension Fund locally is invested separately from those of Wiltshire Council and is in line with the recent changes in the Local Government Pension Scheme regulations.

Another key policy, debated, refined and then approved relates to cessation. The Employer Cessation Policy sets out clearly the options available to employer bodies upon cessation (which occurs when they no longer have any active members) that may be in a deficit funding position. This policy will ensure a consistent and fair approach is applied to all cessation cases. All these policies can be accessed via our web site at www.wiltshirepensionfund.org.uk

At the start of the year the CIPFA published its Knowledge and Skills framework outlining the need for Funds to ensure decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make and monitor their decisions. The current Members Training plan provides an excellent platform to achieve this although it will be reviewed in November 2010 to identify any skill gaps and ensure that the Committee continues to achieve the correct skill mix to meet its financial management needs.

Finally, the Fund faces many challenges over the next year. The Fund is currently undergoing its Triennial Actuarial Valuation, measuring its assets against liabilities as at 31 March 2010 which is being carried out with the Fund's Actuary, Hymans Robertson. Early indications suggest significant increases in some employer contribution rates and work is currently on-going with employers and the Actuary to look at ways of ameliorating these increases to be implemented from April 2011 onwards.

The future of the scheme continues to be the focus of attention for the new Government with the recent announcement of the setting up of an Independent Public Sector Pensions Commission to undertake a fundamental structural review of the sustainability and cost of all current public pension arrangements which we await with interest. My opinion remains that we must prepare ourselves for substantial changes in the current scheme, but we should bear in mind that this pension scheme is funded unlike the ones for Police, Army, Teachers, Civil Servants etc.

Tony Deane, Chairman

On behalf of the Wiltshire Pension Fund
Committee

6 July 2010



2. Basic fund information

Statistics

Year ended 31 March

| | 2009 | 2010 |
|-----------------------------|-----------|-----------|
| Membership | | |
| Contributors | 19,130 | 19,866 |
| Pensioners | 10,066 | 10,737 |
| Deferred pensioners | 15,366 | 16,640 |
| Financial data | | |
| | £000 | £000 |
| Gross Income | 120,728 | 119,102 |
| Gross expenditure | 62,915 | 73,860 |
| Market value of investments | 839,337 | 1,158,483 |
| Book cost of investments | 1,008,653 | 1,040,577 |
| Performance | | |
| | % | % |
| Return on investments | -24.0 | 35.9 |

Income (ie. contributions from employers and employees together with dividends and interest earned by investments, but excluding profits on sales of investments) has consistently exceeded

expenditure and is anticipated to continue to do so for many years ahead because the Fund is immature in terms of its membership profile.

Participating employers at 31 March 2010

Scheduled bodies

Wiltshire Council
Swindon Borough Council
Wiltshire Police Authority
Wiltshire & Swindon Fire Authority
Wiltshire Magistrates Court Service
Wiltshire Probation Service
Swindon Academy
Thamesdown Passenger Transport
Amesbury Parish Council
Blunsdon St Andrews Parish Council
Bradford-on-Avon Town Council
Calne Town Council
Chippenham Town Council
Corsham Town Council
Cricklade Town Council
Devizes Town Council
Haydon Wick Parish Council
Highworth Town Council
Malmesbury Town Council
Marlborough Town Council
Melksham Town Council
Melksham Without Parish Council
Mere Parish Council
Purton Parish Council
Salisbury City Council
Stratton St Margaret Parish Council
Trowbridge Town Council
Wanborough Town Council
Warminster Town Council
Westbury Town Council
Wilton Town Council
Wootton Bassett Town Council
Wroughton Parish Council
New College
Swindon College
Wellington Academy
Wiltshire College

Admitted bodies

ABM Catering Ltd
Action for Blind People
Aster Group
Aster Property Management
Avon & Wiltshire Partnership
Capita Business Services Ltd
CIPFA
Community First
Compass Disability Services
Cricklade District & Community
DC Leisure
Devizes Museum
Direct Cleaning
English Landscapes
Focsa Services
Norwest Hoist (Vinci)
Rethink
Ridgeway Community
Ridgeway Partnership
Salisbury and South Wilts Museum
Sarsen Housing Association
Selwood Housing
Swindon Commercial Services
Swindon Dance
The Order Of St John Care Trust
Westlea Housing Association
Wiltshire Community Foundation

3. Governance of the fund

Administering authority

Wiltshire Council
County Hall
Trowbridge
Wiltshire BA14 8JN

Pension fund committee as at 31 March 2010

Wiltshire Council officers

Councillor Tony Deane (Chairman)
Councillor Charles Howard (Vice Chairman)
Councillor David Jenkins
Councillor Jeff Osborne
Councillor Sheila Parker

Swindon Borough Council members

Councillor Des Moffatt
Councillor Peter Stoddart

Employee observers

Mike Pankiewicz – Wiltshire Council
Tony Gravier – Swindon Borough Council

Admitted bodies

Mr Tim Jackson – Westlea Housing Association

Education scheduled bodies

Mrs Irlene Cooper – Wiltshire College
From 2010 the Committee will meet five times a year (previously quarterly) or more frequently if necessary.

Officers, advisors and managers at 31 March 2010

Wiltshire Council officers

Dr Carlton Brand – Director of Resources
Martin Donovan – Chief Finance Officer
David Anthony – Head of Pensions

Investment managers

Baillie Gifford & Co
Capital International Ltd
ING Real Estate Investment Management
Western Asset Management Co Ltd
Edinburgh Partners
Fauchier Partners
Record Currency Management Plc
Legal & General

AVC providers

Equitable Life Assurance Society
Clerical Medical Funds
NPI Funds

Investment consultant

Hymans Robertson

Actuary

Hymans Robertson

Independent adviser

Jim Edney, Independent Pension Fund Adviser

Auditor

KPMG LLP

Custodian

BNY Mellon

Legal adviser

Osborne Clarke

Policy documents

The Fund's Governance Policy Statement and its Communications Policy Statement are available upon request or can be viewed at www.wiltshirepensionfund.org.uk The Fund's Governance Compliance Statement can be viewed opposite.

4. Governance compliance statement

| Principle | Level of compliance | Reason for non compliance |
|--|---|---------------------------|
| A) Structure | | |
| a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council. | FULL – The Council’s constitution (Part 3, para 2.5) says that the Committee will “exercise the functions of the Council as Administering Authority under the Local Government Superannuation Act and Regulations and deal with all matters relating thereto”. The Wiltshire Pension Fund Committee has the power to “... make decisions on matters of significant policy...” (Part 3B, para 4). | N/A |
| b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee. | FULL – There are two voting representatives from Swindon Borough Council, two voting representatives from Admitted Bodies and 2 UNISON Observers (representing active, deferred and pensioner members), all of whom are members of the main committee. | N/A |
| c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels. | N/A – There is no secondary committee | N/A |
| d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel. | N/A – There is no secondary committee | N/A |
| B) Representation | | |
| a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: | | |
| i. employing authorities (including non-scheme employers, eg, admitted bodies); | FULL – four representatives in total, two from Swindon Borough and two from Admitted Bodies | N/A |
| ii. scheme members (including deferred and pensioner scheme members); | FULL – two representatives from UNISON, who represent active, deferred and pensioner members | see A) b) above |
| iii. independent professional observers; and | FULL – Our Independent Pension Adviser, who attends all meetings, fulfils this role and feeds back any observations to the Chief Finance Officer and/or Head of Pensions | N/A |

| Principle | Level of compliance | Reason for non compliance |
|--|---|---------------------------|
| iv. expert advisors (on an ad-hoc basis). | FULL – Hymans Robertson (the Fund’s Actuary and Investment Consultant) attends all meetings where expert advice is required | N/A |
| b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights. | FULL – All members of the Committee are given equal access to papers, meetings and training and are able to fully participate in debates. | N/A |

C) Selection and role of lay members

| | | |
|--|---|-----|
| a) That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee. | FULL – Full Induction Training and Governance is given and each member is given a Members’ Handbook outlining their responsibilities amongst other information. | N/A |
| b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda. | FULL – this is a standard part of committee procedure. | |

D) Voting

| | | |
|---|--|-----|
| a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees. | FULL – The Committee has afforded each of its members voting rights, except the UNISON Observers who represent members. Being a statutory pension scheme, the local committee has very little influence over benefits and the members are fully protected by statute. Therefore, there is very little that scheme members (or their representatives) can influence on the committee that has any direct impact upon them. Further, giving voting rights to the observers would mean increasing the size of the Committee, because the Administering Authority must legally be able to maintain a majority. | N/A |
|---|--|-----|

| Principle | Level of compliance | Reason for non compliance |
|---|---|---------------------------|
| E) Training/facility time/expenses | | |
| a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process. | FULL – There is a Members’ Training Plan which is updated regularly and fully implemented. All members (including observers) have full access to all training opportunities and are allowed to claim all reasonable expenses. | N/A |
| b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum. | FULL – see Members Training Plan | N/A |
| F) Meetings – frequency | | |
| a) That an administering authority’s main committee or committees meet at least quarterly. | FULL – The Committee meets five times per year, plus ad-hoc for special issues (eg. valuation, tenders) | N/A |
| b) That an administering authority’s secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits. | FULL – There is no secondary committee | N/A |
| c) That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented. | N/A – There is no secondary committee | N/A |
| G) Access | | |
| That subject to any rules in the council’s constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee. | FULL – All members of the Committee (including non voting and substitute members) receive all the papers for every meeting, including the confidential ones | N/A |
| H) Scope | | |
| That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements. | FULL – All matters in relation to the Fund, whether Benefits, Governance, Investments, Communications, Employers, Financial, etc, are covered by the governance arrangements | N/A |
| I) Publicity | | |
| That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements. | FULL – the Governance Compliance Statement is available on the Wiltshire Pension Fund Website and in the Wiltshire Pension Fund Annual Report | N/A |

5. Administration report

Recent developments

Two new employers joined the Wiltshire Pension Fund in 2009/10. Wellington Academy joined on 1 September 2009 as a scheduled body while Swindon Commercial Services joined on 1 January 2010 as a Transferee Admitted Body. The full list of employers can be seen on page 5.

During 2009/10 a number of new strategies and policies were approved by the Wiltshire Pension Fund Committee.

Administration strategy

The Local Government Pension Scheme (Administration) Regulations 2008 empowered Pension Funds to produce and implement a Pension Administration Strategy, with an accompanying Service Level Agreement applicable to all employers in its Fund. This was approved by the Committee on 19 November 2009.

The key points of the Strategy is to form a two-way agreement between employers and the Fund, with a goal of increasing employer and Fund administrative efficiency and effectiveness, thereby improving services for scheme members. This is achieved by both participating employers and the Fund having clear targets with respect to key parts of their respective administrative responsibilities. The strategy can be viewed on the Wiltshire Pension Fund website on the following link:-

<http://www.wiltshirepensionfund.org.uk/employer-admitted-body/guide-and-responsibilities/administration-strategy.htm>

Cessation policy

For all employers in the Fund, a situation may occur when an employer no longer has any current employees who are members of the LGPS. If this happens, the Wiltshire Pension Fund will normally cease the membership status of the relevant Employer.

In the interests of consistency and transparency, Wiltshire Pension Fund has implemented a cessation policy that was approved by the

Committee in February 2010 which dictates the approach normally taken regarding the cessation of admitted bodies. This policy can be viewed on the Wiltshire Pension Fund website on the following link:-

<http://www.wiltshirepensionfund.org.uk/cessation-policy.pdf>

Communications policy

The Communications Policy Statement outlines the provision of information and publicity about the Scheme to its members, representatives of members and employing authorities. This revised policy was approved by the Committee in September 2009 and the full document can be viewed on the Wiltshire Pension Fund website at :-

<http://www.wiltshirepensionfund.org.uk/communicationstrategy.pdf>

AVC provider

In February 2010, the Committee approved the appointment of Prudential as the Fund's new AVC provider from 1 April 2010. This facility allows members to, if they wish, top up their current LGPS pension provision by paying additional contributions into one of seven funds Prudential offer which best fit their risk profile. Members making contributions to the closed schemes run by Clerical Medical, Equitable Life and NPI can either continue to paying into these funds or decide to transfer their accumulated benefits into one of the new Prudential funds. Prudential are currently undertaking a number of employer and employee road shows to promote their services.

Management of the scheme

The members who served on the Wiltshire Pension Fund committee during the year are listed on page 6.

With the move to unitary status for Wiltshire Council the committee lost its district council Member. To maintain the voting balance it was agreed that the place on the Committee formally

held by the District Council Representative was made available to either a representative from the education scheduled bodies or the transferee admission bodies. Both groups were approached and the nominees submitted were considered by the Committee before Mrs. Irlene Cooper from Wiltshire College was appointed.

The two Unison representatives who currently observe on behalf of the employees within the scheme agreed to in future also represent deferred and pensioner members' interests at the Committee.

The Committee met four times last year. All decisions are taken by a simple majority with the Chairman having the casting vote.

At the start of this year, CIPFA published its Knowledge & Skills Framework outlining the need for Funds to ensure decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively monitor their implementation.

Ahead of this, a workshop was held in November 2009 to assess Members' training needs in relation to the work of the Committee over the next four years. The information gleaned from this informed the drafting of a Members Training Plan which was approved by the Committee in the same month and can be viewed at :-

[http://cms.wiltshire.gov.uk/Data/Wiltshire%20Pension%20Fund%20Committee/20091119/Agenda/\\$Item%20No.%2009%20-%20Members'%20Training%20Plan.doc.pdf](http://cms.wiltshire.gov.uk/Data/Wiltshire%20Pension%20Fund%20Committee/20091119/Agenda/$Item%20No.%2009%20-%20Members'%20Training%20Plan.doc.pdf)

The Members Training Plan will be reviewed in November 2010 to account for any skills gap or specific areas knowledge ascertained since the previous year.

Employer issues

The Wiltshire Pension Fund employ an Employer Relationship Manager (Andrew Cunningham) whose role is to act as an advocate for employers and help foster relationships. There is also available an Employers' Guide, including details of the Fund's

discretions policy which can be found on this website. This can be used as a substantive source of employer information, as well as the regular technical newsletters that we send employers and the quarterly "Pensions Liaison Officers Group (PLOG)" meetings for employers.

A charging policy is now being applied to all new instructions since 1 April 2009. This is due to significant increase in the amount of fees the Fund spends on legal and actuarial work, largely as a result of the increased number of employers joining, leaving and changing their status within the Fund and the subsequent effects of this. Historically, these costs have been spread across all employers, although the activity tends to be the result of decisions made by a small number of employers. Considering this, the Wiltshire Pension Fund Committee approved a charging policy to cover these specific costs. Full details can be found on the Wiltshire Pension Fund website at :-

<http://www.wiltshirepensionfund.org.uk/employer-admitted-body/charging-policy.htm>

Operational improvements

The Fund continually strives to continually improve its processes and performance with particular emphasis on ways to improve customer service (eg. improved response times, more understandable forms, clearer letters, etc). Although this is an on-going process, changes to a number of areas have been developed, providing positive improvement in services which have been generally well received by customers.

The Wiltshire Pension Fund Committee is also currently upgrading its pension administration system which is hoped will not only provide better functionality and reporting for staff, but potentially Employer and Employee self-service as well before too long.

Pension increase

Pensions in payment were increased by 5.0 percent effective from 6 April 2009. Pensions commencing

in the 12 months preceding 6 April 2009 have received an increase based on the 5 percent pro-rated for the length of time the pension has been in payment to 6 April 2009.

The pension increases referred to above do not apply to that element of the pensions in payment representing any Guaranteed Minimum Pensions (GMP), which the scheme is required to provide as a consequence of contracting out of the State pension arrangements for the LGPS, as these increases are provided by the State.

GMPs relating to service accrued from April 1978 to April 1997, when contracting out arrangements were changed and GMP ceased to apply.

GMP earned between April 1988 and April 1997 is increased by the Scheme in line with inflation, as required by legislation, up to a maximum of 3 percent per annum. There is no increase paid by the scheme for GMP earned between April 1978 and April 1988. Increases in relation to the GMP for this period are calculated and paid by the Government with increases in the state pension.

All increases were in accordance the LGPS regulations or legislative requirements

Where next for the Local Government Pension Scheme?

Although the 'New Look' LGPS was only implemented in 2008 it is already coming under scrutiny along with all other public sector pensions. The Communities and Local Government Department (CLG) issued an informal consultation on the future of the Scheme but this is now expected to be superseded with the setting up of an Independent Public Sector Pensions Commission by the new coalition Government to undertake a fundamental structural review of the sustainability and cost of all current public pension arrangements. Within the current political and economic climate there already seems to be a consensus amongst stakeholders that a more radical reform of the LGPS is necessary to bring down the costs of the scheme.

Other matters

The Fund continues to support its employers by co-ordinating the provision of FRS17 accounting reports from the actuary, so that they can meet their obligations to show their pension liabilities relative to their pension assets in their annual accounts.



6. Investment report

Funding policy

The basic objective of LGPS pension fund investment is to minimise the level of contributions paid into the Fund by employer bodies to ensure its solvency. Therefore, investment strategy is necessarily intrinsically linked with funding policy.

All LGPS funds are required to publish a document called a 'Funding Strategy Statement' (FSS). The Wiltshire FSS was updated prior to the 2007 triennial valuation and can be supplied upon request or viewed at :-

www.wiltshirepensionfund.org.uk/fundingstrategy.pdf

The former Office of the Deputy Prime Minister (ODPM) defined the purpose of the FSS as being:

- a) *"To establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;*
- b) *to support the regulatory framework to maintain as nearly constant employer contribution rates as possible; and*
- c) *to take a prudent longer-term view of funding those liabilities."*

However, as CIPFA has noted in its guidance on the FSS, *"there will be conflicting objectives which need to be balanced and reconciled"*. For example, for most employers objective a) implies low contribution rates, because they would see pension liabilities being *"best met"* by gaining as much help as possible from the investment strategy over the long term, which would lead you towards an equity-biased investment strategy. By contrast, objectives b) and c) imply stability and prudence of employer contribution rates, which would lead you towards a bond biased investment strategy.

Therefore, the best that can be achieved is a sensible balance between low and stable in employer contributions over the long term, accepting that triennial valuations are likely to lead to greater volatility if higher equity investment strategies are in place.

Investment goal

The Wiltshire Pension Fund's investment objective is to achieve a relatively stable "real" return above the rate of inflation over the long term, in such a way as to minimise and stabilise the level of contributions required to be paid into the Fund by employer bodies in respect of both past and future service liabilities.

Investment strategy

The Wiltshire Fund Pension Committee has put in place a strategy to achieve this goal through use of the following elements:

- a) *a relatively large allocation to equity investment to achieve higher returns;*
- b) *allocations to more diversified and less correlated asset classes such as bonds, property, hedge funds and income-based equity products to achieve stabilisation; and*
- c) *the achievement of some "alpha" (manager) returns independently of "beta" (market) returns, through currency, high alpha equity and hedge fund strategies.*

All Local Government Pension Scheme (LGPS) funds have to produce, consult on and publish a Statement of Investment Principles (SIP) – the latest Wiltshire Fund's SIP can be supplied upon request or viewed at :-

www.wiltshirepensionfund.org.uk/investment-principles

Investment powers

These are set out in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, which provide wide investment powers, subject to certain restrictions. The current limits are as follows

- (a) No more than 10% deposited with a single bank (other than the National Savings Bank).
- (b) No more than 15% invested in unlisted securities.
- (c) No more than 10% in a single holding (except unit trusts).

- (d) No more than 35% in unit trusts or other collective investment schemes managed by any one body.
- (e) No more than 35% in a single insurance contract.

Regulations further state that administering authorities must obtain and consider proper advice on their investments, and formulate their investment policy with a view to:

- (a) the advisability of investing fund money in a wide variety of investments;
- (b) the suitability of particular investments and types of investments; and
- (c) the extent to which the administering authority complies with the revised six Myners principles for pension fund investment, scheme governance, disclosure and consultation. These principles have been adopted by CLG (the central government department with responsibility for oversight of the LGPS) and replaces the ten Myners principles published in 2001.

Strategic asset allocation

As part of the review of the Fund's investment management arrangements, during 2006 the Committee, with the assistance of its investment advisers, reviewed its strategic asset allocation. In broad terms, the result is that, going forward, the Fund is to be invested 52.5% in Equities, 17.5% in Bonds, 13% in Property and 17% in Alternatives. However, of the Alternatives, around 13% are equity based (in either Long-Short or Income Yield biased products), so this equates to an effective equity allocation of over 65%. More details are given in the section below summarising the Fund's investment management arrangements.

Risk control

The Committee believes that risk control is primarily achieved by the Fund's strategic asset allocation, and this has been taken into account in setting its overall investment strategy.

Environmental Social Governance Policy

The Council seeks to use its position as a shareholder to actively encourage good corporate governance practice in those companies in which it invests. It does this by subscribing and outsourcing proxy voting to the Pensions & Investment Research Consultants Limited (PIRC) Corporate Governance Service for all global equities.

It is also a member of the Local Authorities Pension Fund Forum (LAPFF), to enable it to act collectively with other local authorities on corporate governance issues.

The Committee expects its investment managers, to take account of social, environmental and ethical considerations in the selection, retention and realisation of investments insofar as these matters are regarded as impacting on the current and future valuations of individual investments. Taking account of such considerations is seen as forming part of the investment managers' normal fiduciary duty.

As such, the Committee also believes it has a commitment to ensuring that companies in which it invests adopt a responsible attitude toward the environment, and adopt high ethical standards. Generally, such companies are expected to behave in a socially responsible manner by taking account of the interests of all stakeholders.

The Committee seeks to achieve this objective by raising issues with companies in which it invests with a view to raising standards in a way that is consistent with long term shareholder value. Again, the Council primarily uses its membership of LAPFF to affect this policy.

Investment management arrangements

In September 2008, a review of the current investment arrangements was undertaken in light of current investment managers' performance. Although this did not change the strategic asset allocation the Committee agreed on the following long term investment aspirations for the Fund:

- To limit new individual mandates to allocations of no more than 12.5% of the overall Fund.

- To move the UK equity allocation downwards towards 30%, in favour of global equities as opportunities arise.
- To move the UK equity allocation to being predominantly managed passively and the global equity allocations to being predominantly actively managed, as opportunities arise.
- To increase the passive investment management in the Fund from the current 5% to a long term target of 20%, covering both equities and bonds, but this will only be implemented at times when it would be cost effective and have the least impact on returns.

Resulting from this review, on 1 July 2009 the index linked bond & gilt elements actively managed by Western Asset Management (WAM) (7% of the Fund) were moved to passive management by Legal & General, leaving WAM with an allocation of 10.5%. WAM will now be concentrating on corporate bonds, including the ability to invest overseas on a tactical basis where opportunities to add value arise.

The Committee also agreed in May 2009 to invest 2% of its bond allocation into the M&G UK Companies Financing Fund, to take advantage of an opportunity arising from the reduced liquidity in the banking market. The Fund aims to provide a relatively stable bond like return over a 5 to 10 year time frame. This will be funded from the bond allocation passively managed by Legal & General.

In line with the long term aspirations namely to more passively manage its UK equities while reducing its allocation, the committee decided to terminate the Baillie Gifford UK mandate representing 12.5% of the Fund in February 2010. The majority of this allocation (9.5%) was transferred in May 2010 to Legal & General to manage within their UK passive equities mandate with the remaining 3% passed to Edinburgh Partners as an addition to their Global Equities Fund.

This means that going forward the Fund's asset allocation will be:

Asset allocation as at May 2010

| | |
|--|---------------|
| Equities: | |
| Long-Only: | |
| UK | 15.5% |
| Overseas (Global) | 37.0% |
| | 52.5% |
| Bonds | 17.5% |
| Property | 13.0% |
| Alternatives: | |
| Income Biased (Long-only Equities & Bonds) | 10.0% |
| Long-short equities – Global | 5.0% |
| Currency (Active) | 2.0% |
| | 17.0% |
| TOTAL | 100.0% |

The allocation of mandates to managers from May 2010 will be as follows:

Manager/mandate allocation

| | |
|---|---------------|
| Capital International | |
| Global Equities | 14.0% |
| Absolute Income Grower (Equities, Bonds & Cash) | 10.0% |
| Baillie Gifford | |
| Global Equities | 12.5% |
| Legal & General | |
| Passive UK Equities | 14.5% |
| Passive Gilts (UK) | 2.5% |
| Passive Index-Linked Bonds (UK) | 2.5% |
| Western Asset Management | |
| Corporate Bonds (UK & Overseas) | 10.5% |
| ING Real Estate | |
| Property Fund of Funds (UK & Europe) | 13.0% |
| Edinburgh Partners | |
| Global Equities | 10.5% |
| Fauchier Partners | |
| Equity Long-Short Fund of Funds (Global) | 5.0% |
| Record Currency Management | |
| Active Currency Fund | 2.0% |
| Passive Currency Hedge | 1.0% |
| M&G Investment Management | |
| UK Companies Financing Fund | 2.0% |
| TOTAL | 100.0% |

Investment as at 31 March 2010

During the year, the managers transacted purchases of £814.7 million (£1,068.8m 31 March 2009) and sales of £771.7 million (£1,011.1m 31 March 2009).

The value of assets under management at 31 March 2010 was £1,158.5 million (£839.3m 31 March 2009), broken down by managers as follows:

| | |
|----------------------------|-------------------------|
| Baillie Gifford | £320.8 million |
| Capital International | £275.1 million |
| ING Real Estate | £132.5 million |
| Western Asset Management | £126.8 million |
| Legal & General | £126.5 million |
| Edinburgh Partners | £92.6 million |
| Fauchier Partners | £60.0 million |
| Record Currency Management | £24.2 million |
| | £1,158.5 million |

The Fund participates in a securities lending programme administered by BNY Mellon. Securities in the beneficial ownership of the Fund to a value of £15.3 million (1.3% of the total) were on loan at 31 March 2010. Collateral for these securities is held in a pooled form, the Wiltshire Pension Fund's share (0.56%) representing a value of £16.3 million (106.2%). Income earned from this programme amounted to £0.184 million in the year.

Investment markets

2008 was a momentous year when one financial institution after another in America either collapsed or was taken over. The failure of Lehman's Brothers in September 2008 triggered the collapse of the Icelandic banks and the near collapse of several major UK banks. These banks then needed another round of major Government support in January 2009. This prolonged financial shock to the core of the world's financial systems caused a worldwide recession to gather in pace and intensity during 2009/10 which dragged the UK economy down into its deepest and longest recession in many years.

Markets were still badly disrupted at the start of 2009/10, the economy suffering from lack of credit,

short to medium term interest rates at record lows and a great deal of anxiety as to how or when the recovery would take place.

However, during the year the markets gradually gained confidence and was optimistic that the economy was indeed on the path to recovery, although it appeared to be fragile, and with some residual risk that there could be a double dip recession. This optimism was further enhanced by a return to strong economic growth in the US towards the end of 2009. The year also saw a major resurgence in share prices in the US, UK and Europe from a very depressed level in March 2009 on the back of this rise in optimism which is reflected in the Fund's performance for the year. Gilt prices did fall and long term yields rose although they remained at historically low levels. The Bond markets ended the year with chronic fears about a Greek government debt default which looked to spread across the Eurozone. Commentators were remarking that both Greece and the UK were running similar size annual deficits as a percentage of GDP. However, the UK was in a much stronger position than Greece e.g. due to its much lower level of total debt which is being reflected in the strengthening of Sterling relative to the Euro.

Fee structures

The Committee generally expects to have an ad-valorem fee scale applied in respect of the investment management services it receives. This is generally accepted practice and is easily understood. A performance related fee basis is sometimes set, if it is believed to be in the overall financial interests of the Fund. For investment advisory services, a fee is charged by the hour.

Other matters

A Commission Recapture programme was introduced in 2003-04, whereby an element of the commission that is paid to brokers on stock market transactions is recovered.

Distribution of investments

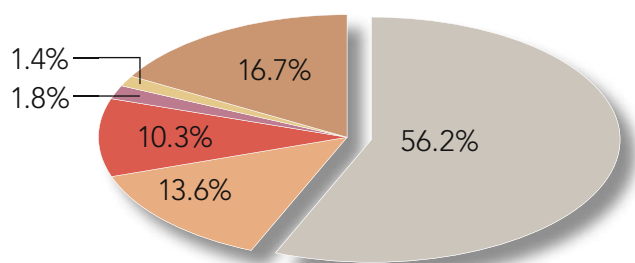
Analysis of Investments as at 31 March 2010

Geographical analysis

United Kingdom
North America
Europe
Japan
Asia, ex Japan
Other overseas

£000 % of Fund total

| | |
|------------------|--------------|
| 650,345 | 56.2 |
| 157,585 | 13.6 |
| 119,589 | 10.3 |
| 20,629 | 1.8 |
| 16,628 | 1.4 |
| 193,707 | 16.7 |
| 1,158,483 | 100.0 |



● United Kingdom
● North America
● Europe
● Japan
● Asia, ex Japan
● Other overseas

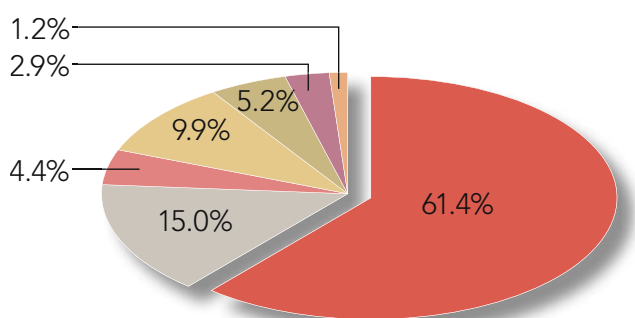
Analysis of investments by sector as at 31 March 2010

Sector analysis

Equities
Fixed interest bonds
Property
Long-Short Hedge Fund
Cash & Derivatives
Index linked bonds
Currency Fund

£000 % of Fund total

| | |
|------------------|--------------|
| 711,406 | 61.4 |
| 174,144 | 15.0 |
| 114,507 | 9.9 |
| 59,866 | 5.2 |
| 50,968 | 4.4 |
| 33,973 | 2.9 |
| 13,619 | 1.2 |
| 1,158,483 | 100.0 |



● Equities
● Fixed interest bonds
● Cash & Derivatives
● Property
● Long-Short Hedge Fund
● Index linked bonds
● Currency Fund

Twenty largest single holdings

| | £000 | % of Fund total |
|---|----------------|-----------------|
| 1 Edinburgh Partners Global Opportunities Equity Fund | 91,496 | 7.9 |
| 2 Legal & General Equity Index Fund | 61,392 | 5.3 |
| 3 Fauchier Partners Jubilee Absolute Equity Fund | 58,382 | 5.1 |
| 4 Capital International Fund Emerging | 30,235 | 2.6 |
| 5 Capital International UK Corporate Bond Fund | 17,931 | 1.6 |
| 6 Amazon.Com Inc Com | 14,935 | 1.3 |
| 7 Petroleum Brasileiro SA Pertobas Spons | 12,521 | 1.1 |
| 8 Schroder Property Investment Management | 12,221 | 1.1 |
| 9 Blackrock UK Property Fund | 11,409 | 1.0 |
| 10 HSBC Holdings | 10,362 | 0.9 |
| 11 British American Tobacco | 9,772 | 0.9 |
| 12 Vale SA ADR RepStg | 9,338 | 0.8 |
| 13 BHP Billiton Plc | 9,026 | 0.8 |
| 14 Atlas Copco | 8,516 | 0.7 |
| 15 Baidu Inc | 8,106 | 0.7 |
| 16 Royal Dutch Shell 'B' Shs | 8,104 | 0.7 |
| 17 BG Group Plc | 7,967 | 0.7 |
| 18 Imperial Tobacco Group | 7,839 | 0.7 |
| 19 Baillie Gifford British Smaller Cos | 7,693 | 0.7 |
| 20 Tesco | 7,664 | 0.7 |
| | 404,909 | 35.3 |



7. Actuarial position

As required by Regulation 77 of the Local Government Pension Scheme Regulations 1997, the last actuarial valuation of Wiltshire Pension Fund's assets and liabilities was carried out as at 31 March 2007.

Security of prospective rights

In my opinion, the resources of the Fund are likely in the normal course of events to meet the liabilities of the Fund as required by the Regulations. In giving this opinion, I have assumed that the following amounts will be paid to the Fund:

- Contributions by the members in accordance with the Local Government Pension Scheme Regulations 1997 until 31 March 2008, then in accordance with the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007;
- Contributions by employers in accordance with the Rates and Adjustments Certificate dated 24 March 2005 for the year ending 31 March 2008. Thereafter for the three years commencing 1 April 2008 as specified in our Rates and Adjustments certificate dated 28 March 2008 (and updated 31 July 2009).

Summary of methods and assumptions used

Full details of the method and assumptions are described in our valuation report dated 28 March 2008 and the Rates and Adjustments certificate contained therein.

Copies of these documents are available on request from the Wiltshire Pension Fund.

My opinion on the security of the prospective rights is based on:

- the projected unit valuation method where there is an expectation that new employees will be allowed to join an employer; or
- the attained age valuation method for employers who are closed to new entrants.

These methods assess the cost of benefits accruing to existing members during

- the year following the valuation; or
- the remaining working lifetime, respectively

allowing for future salary increases. The resulting contribution rate is adjusted to allow for any difference in the value of accrued liabilities and the assessed value of assets.

Valuation of assets

A "market related" valuation method has been used. This is consistent with the methodology adopted at the 2004 valuation.

Valuation assumptions

The key financial assumptions adopted at the 2007 valuation are set out in the table below:

| Assumption | Derivation | Rate at 31 March 2007 | |
|-----------------------------|--|-----------------------|------|
| | | Nominal | Real |
| Price Inflation (RPI) | Market expectation of long term inflation as measured by the difference between yields on fixed and index-linked Government bonds as at valuation date | 3.2% | - |
| Pay Increases* | Assumed to be 1.5% p.a. in excess of price inflation | 4.7% | 1.5% |
| 'Gilt-based' discount rate | The yield on fixed-interest (nominal) and index-linked (real) Government bonds | 4.5% | 1.3% |
| Funding basis discount rate | Assumed to be 1.6% p.a. above the yield on fixed interest Government bonds | 6.1% | 2.9% |

The 2007 valuation revealed that the Fund's assets, which at 31 March 2007 were valued at £1,131 million, were sufficient to meet approximately 85% of the liabilities accrued up to that date.

The next actuarial valuation

The next valuation of the Fund will be carried out as at 31 March 2010 and the results known later that year. This valuation will allow for the experience of the Fund from 31 March 2007 and up-to-date financial assumptions at that time.

I am aware that some employers may pay contributions in excess of the minimum contributions shown in the Rates and Adjustments certificate. These extra payments will be taken into account in the 2010 valuation and will act to reduce the contributions that would otherwise have been payable.

Prepared by:

Peter Summers
30 April 2010

For and on behalf of Hymans Robertson LLP

Opinion on the pension fund accounts

We have audited the Wiltshire Pension Fund accounts for the year ended 31 March 2010 under the Audit Commission Act 1998. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to Wiltshire Council, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to Wiltshire Council, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Wiltshire Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditors

The Chief Financial Officer's responsibilities for preparing the pension fund accounts in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009. In preparing this pension fund accounts, the Responsible Financial Officer is responsible for:

- selecting suitable accounting policies and then applying them consistently;
- making judgments and estimates that were reasonable and prudent;
- keeping proper accounting records which were up to date;
- taking reasonable steps for the prevention and detection of fraud and other irregularities.

Our responsibility is to audit the pension fund accounts and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009, the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year. We also report to you whether, in our opinion, the information which comprises the commentary on the financial performance included within the Pension Fund Annual Report, is consistent with the pension fund accounts. That information comprises of the basic fund information section.

We review whether the governance compliance statement published in the Pension Fund Annual Report reflects compliance with the requirements of Regulation 34(1)(e) of the Local Government Pension Scheme (Administration) Regulations 2008 and related guidance. We report if it does not meet the requirements specified by the Department of Communities and Local Government or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

We read other information published with the pension fund accounts and related notes and consider whether it is consistent with the audited pension fund accounts. This other information comprises the Explanatory Foreword published in the financial statements, the Governance of the fund section, the administration report, the investment report and the actuarial position section. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund accounts and related notes. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the pension fund accounts and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the pension fund accounts and related notes are free from material misstatement, whether

caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the pension fund accounts and related notes.

Opinion

In our opinion:

the pension fund accounts and related notes present fairly, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009, the financial transactions of the Pension Fund during the year ended 31 March 2010, and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year; and

the information given in the commentary on financial performance included within the Pension Fund Annual Report is consistent with the pension fund accounts.



Chris Wilson (Senior Statutory Auditor)

for and on behalf of KPMG LLP

Statutory Auditor

Bristol

30 September 2010

9. Statement of accounts

Fund account for the year ended 31 March 2010

| | Notes | 2009 – 10 £000 | 2008 – 09 £000 |
|---|-------|-------------------|-------------------|
| Contributions and benefits | | | |
| Contributions receivable | 3 | 84,975 | 82,894 |
| Individual transfers | | 7,281 | 3,692 |
| | | 92,256 | 86,586 |
| Benefits payable | 4 | -61,115 | -55,994 |
| Payments to and on account of leavers | 5 | -9,065 | -2,807 |
| Administrative expenses | 6 | -1,321 | -1,215 |
| | | -71,501 | -60,016 |
| Net additions from dealings with members | | 20,755 | 26,570 |
| Returns on investments | | | |
| Investment income | 7 | 26,846 | 34,142 |
| Change in market value of investments | 9 | 276,140 | -290,820 |
| Investment management expenses | 10 | -2,359 | -2,899 |
| | | 300,627 | -259,577 |
| Net returns on investments | | 300,627 | -259,577 |
| Net increase / (decrease) in the fund during the year | | 321,382 | -233,007 |
| Add opening net assets of the funds restated | | 845,166 | 1,078,173 |
| Closing net assets of the Fund | | 1,166,548 | 845,166 |

Net asset statement At 31 March 2010

| | Notes | 2009 – 10 £000 | 2008 – 09 £000 |
|---|-------|-------------------|-------------------|
| Investment assets | 9 | | |
| Fixed interest securities | | 113,515 | 106,734 |
| Index linked securities | | 767 | 26,372 |
| Equities | | 520,041 | 347,352 |
| Pooled investment vehicles | | 358,674 | 209,663 |
| Property | | 114,506 | 73,294 |
| Derivative assets | | 2,156 | 8,845 |
| Cash held on deposit | | 54,313 | 78,356 |
| Other investment balances | | 4,780 | 5,259 |
| | | 1,168,752 | 855,875 |
| Investment liabilities | 9 | | |
| Derivatives liabilities | | -10,269 | -16,538 |
| Total net investments | | 1,158,483 | 839,337 |
| Current assets | 11 | 9,610 | 6,485 |
| Current liabilities | 12 | -1,545 | -656 |
| | | | |
| Net assets of the Fund at 31 March | | 1,166,548 | 845,166 |

The accounts summarise the transactions of the Fund and deal with the net assets at the disposal of Wiltshire Council. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in the actuarial statements and these accounts should be read in conjunction with these.

in 2007, and also with the guidance notes issued on the application of the Statements of Standard Accounting Practice (SSAP) and Financial Reporting Standards (FRS).

The accounts have been prepared on an accruals basis except where otherwise stated, i.e. income and expenditure is accounted for as it is earned or incurred, rather than as it is received and paid.

Notes

Forming part of the accounts

1. Basis of preparation

The general principles adopted in compiling the accounts of the Wiltshire Pension Fund follow the recommendations of the Chartered Institute of Public Finance and Accountancy (CIPFA). Specifically, they follow Chapter 2 of the Statement of Recommended Practice (SORP) on Financial Reports for Pension Schemes and the CIPFA Code of Practice on Local Authority Accounting, updated

2. Accounting policies

The principal accounting policies of the Fund are as follows:

Contributions

Contributions are received from employer bodies in respect of their own and their pensionable employees' contributions. Employers' contributions (for both Normal and Deficit Funding) are prescribed in the Actuary's Rates and Adjustment Certificate following the review of the Fund's assets and liabilities during the triennial valuation.

The Employees' contributions are included at the rates prescribed by the Local Government Pension Scheme Regulations.

Employer augmentation contributions are accounted for in accordance with the agreement under which they are being paid.

Benefits and refund of contributions

The benefits payable and refunds of contributions have been brought into account on the basis of all valid claims approved during the year.

Transfers to and from other schemes

No account is taken of liabilities to pay pensions and other benefits after the year end. Transfer values, which are those sums paid to, or received from, other pension schemes relating to previous periods of employment, have been brought into account on a cash basis.

Investment income

Dividends and interest have been accounted for on an accruals basis. Income on pooled investments is accumulated and reflected in the valuation of units.

Valuation of investments

Investments are shown in the accounts at market value, determined on the following basis:

(i) **Quoted securities**

Quoted Securities have been valued at 31 March 2010 by the Fund's custodian using the bid price where a quotation was available on a recognised stock exchange or unlisted securities market.

(ii) **Unquoted securities**

Unquoted securities have been valued according to the latest trades, professional valuation, asset values or other appropriate financial information.

(iii) **Pooled investment vehicles**

Pooled investments are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads, as provided by the investment manager.

(iv) **Fixed interest stocks**

Fixed interest stocks are valued on a clean

basis. Accrued income is accounted for within investment income.

(v) **Derivative contracts**

Derivatives are stated at market value. Exchange traded derivatives are stated at market values determined using quoted prices. For exchange traded derivative contracts which are assets, market value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices.

- Over the Counter (OTC) derivatives are stated at market value using pricing models and relevant market data as at the year end date.
- Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.
- All gains and losses arising on derivative contracts are reported within 'Change in Market Value'.

Reported changes in the market value of investments over the year of account include realised gains or losses arising upon the disposal of investments during the year.

Foreign currency translation

All investments held in foreign currencies are shown at market value translated into sterling using the WM 4PM rate on 31 March 2010.

Foreign currency transactions are accounted for on the basis of the equivalent sterling value of the underlying transactions, by applying the relevant exchange rate ruling at the time. Where overseas securities are acquired with currency either previously purchased directly or accruing from the sale of securities, the sterling book cost of the new security will be based on the exchange rate ruling at the time of the purchase of that security. Any profit or loss arising on currency transactions either realised or unrealised, will be reflected in the Net Asset Statement.

Investment management expenses

Investment management expenses are based on the quarter end market value of the investments held. The fees paid are determined by the agreed fee scales for each individual manager.

Acquisition costs of investments

Costs incurred on the acquisition of investments, such as stamp duty and commission, are treated as part of the purchase cost of investments.

Administration expenses

A proportion of the relevant officers' salaries, salary on-costs and general overheads, have been charged to the Fund on the basis of time spent on Fund administration.

Taxation

The Fund is a registered pension scheme for tax purposes and as such is not liable for UK income tax on investment income, nor capital gains tax. As Wiltshire Council is the administering authority, VAT input tax is recoverable on all expenditure.

Income earned from investments in stocks and securities in the USA is exempt from US tax and is not subject to withholding tax. Most tax deducted from income on European investments is also recoverable.

Related party transactions

Related parties to the Wiltshire Pension Fund include all the Admitted Bodies within the Fund (see Schedule of Employer bodies on page 5), members of the Wiltshire Pension Fund Committee and the Chief Finance Officer. There have been no financial transactions between any of these parties and the Fund apart from the routine contributions and benefits payable that are defined by statutory regulation and are therefore not within the direct control of any party. All these transactions are included within the accounting statements given in the following pages.

Additional Voluntary Contributions (AVCs)

The accounts of the Fund in accordance with regulation 5 (2) (C) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 do not include transactions in respect of AVCs. These are money purchase arrangements made by individual Fund members under the umbrella of the Local Government Pension Scheme, to enhance pension benefits. Fund members over the age of fifty may elect to buy service with their AVC funds, such transactions being included within transfers into the Fund.



3. Contributions receivable

| | 2009 – 10 £000 | 2008 – 09 £000 |
|---|-------------------|-------------------|
| Employer | | |
| Normal | 47,898 | 45,968 |
| Augmentation | 7,885 | 7,520 |
| Deficit funding* | 9,919 | 10,523 |
| | | |
| Members | | |
| Normal | 18,695 | 18,511 |
| Additional contributions | 578 | 372 |
| | 84,975 | 82,894 |
| Analysis of contributions receivable | | |
| Contributions from employees (Including Additional Contributions) | | |
| – Wiltshire Council ** | 9,257 | 6,909 |
| – Other scheduled bodies ** | 8,329 | 10,285 |
| – Admitted bodies | 1,687 | 1,689 |
| | 19,273 | 18,883 |
| Contributions from employers (Including Augmentations) | | |
| – Wiltshire Council ** | 34,403 | 22,774 |
| – Other scheduled bodies ** | 25,593 | 35,804 |
| – Admitted bodies | 5,706 | 5,433 |
| | 65,702 | 64,011 |
| Total contributions receivable | 84,975 | 82,894 |

* Deficit funding contributions are being paid by the employer for the three years commencing from 1 April 2008 as specified in the Rates and Adjustment certificate dated 28 March 2008 in order to improve the Fund's funding position. The recovery period at the last valuation over which the deficit funding is recovered is mainly 20 years for scheduled bodies and 14 years or the length of the employer's contract (whichever is the shorter) for admitted bodies.

** From 1 April 2009, Wiltshire Council became an unitary authority and now includes contributions formerly paid by the four district councils.

4. Benefits payable

| | 2009 – 10 | 2008 – 09 |
|--|---------------|---------------|
| | £000 | £000 |
| Pensions | 47,480 | 43,037 |
| Commutation and lump sum retirement benefits | 12,269 | 11,747 |
| Lump sum death benefits | 1,366 | 1,210 |
| | 61,115 | 55,994 |

Analysis of benefits payable

Pensions payable

– Wiltshire Council **

– Other scheduled bodies **

– Admitted bodies

| | | |
|--|---------------|---------------|
| | | |
| | 26,487 | 15,136 |
| | 18,405 | 25,573 |
| | 2,588 | 2,328 |
| | 47,480 | 43,037 |

Retirement and death grants payable

– Wiltshire Council **

– Other scheduled bodies **

– Admitted bodies

| | | |
|--|---------------|---------------|
| | | |
| | 8,188 | 3,644 |
| | 4,502 | 8,190 |
| | 945 | 1,123 |
| | 13,635 | 12,957 |
| | 61,115 | 55,994 |

Total benefits payable

5. Payments to and on account of leavers

| | 2009 – 10 | 2008 – 09 |
|--|--------------|--------------|
| | £000 | £000 |
| Individual transfer out to other schemes | 8,908 | 2,798 |
| Refunds to members leaving service | 133 | 44 |
| State Scheme Premiums | 24 | -35 |
| | 9,065 | 2,807 |

6. Administrative expenses

| | 2009 – 10 | 2008 – 09 |
|-----------------------------------|--------------|--------------|
| | £000 | £000 |
| Administration and processing | 1,018 | 1,000 |
| Actuarial fees | 178 | 110 |
| Audit fees | 61 | 28 |
| Legal and other professional fees | 64 | 77 |
| | 1,321 | 1,215 |

7. Investment income

| | 2009 – 10 £000 | 2008 – 09 £000 |
|-------------------------------------|-------------------|-------------------|
| Quoted securities | | |
| – UK fixed interest bonds | 6,068 | 7,628 |
| – Overseas fixed interest bonds | 318 | 1,622 |
| – UK index linked bonds | 35 | 803 |
| – Overseas index linked bonds | 0 | 123 |
| – UK equities | 6,224 | 6,575 |
| – Overseas equities | 6,839 | 7,575 |
| Pooled investment vehicles | | |
| – UK equities | 0 | 176 |
| – Overseas companies | 1,118 | 2,430 |
| – UK fixed interest corporate bonds | 972 | 200 |
| – UK property | 4,915 | 4,933 |
| Cash held on deposit | | |
| – Sterling cash | 337 | 1,892 |
| – Overseas cash | 20 | 185 |
| | 26,846 | 34,142 |

8. Stock lending

The Council participates in a securities lending programme administered by BNY Mellon. Securities in the beneficial ownership of the Council to a value of £15.3 million (1.3% of the total) were on loan at 31 March 2010. Collateral for these securities is

held in a pooled form, the Wiltshire Pension Fund's share (0.56%) representing a value of £16.3 million (106.2%). Income earned from this programme amounted to £0.184 million in the year.

| | 2009 – 10 £m | 2008 – 09 £m |
|----------------------------------|-----------------|-----------------|
| WPF securities on loan | 15.3 | 22.1 |
| (percentage of total) | 1.3% | 2.6% |
| WPF collateral share of pool | 0.56% | 0.52% |
| Value of WPF pooled share | 16.3 | 23.3 |
| Percentage of securities on loan | 106.2% | 105.4% |
| Income earned in year | 0.184 | 0.189 |

9. Investments

Reconciliation of investments held at beginning and end of year

| | Value at 1 April 2009 | Purchases at cost & derivative payments | Sales proceeds and derivative receipts | Change in market value | Value at 31 March 2010 |
|------------------------------|-----------------------------|--|--|---------------------------------|------------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Fixed interest securities | 106,734 | 57,709 | -80,594 | 29,666 | 113,515 |
| Index linked securities | 26,372 | 3,628 | -30,294 | 1,061 | 767 |
| Equities | 347,352 | 162,540 | -144,030 | 154,179 | 520,041 |
| Pooled funds: | | | | | |
| – Other | 209,663 | 119,557 | -49,103 | 78,557 | 358,674 |
| – Property | 73,294 | 51,490 | -14,088 | 3,810 | 114,506 |
| Derivative assets | | | | | |
| – Futures | 301 | 2,110 | -7,961 | 5,405 | -145 |
| – Options | 24 | 1,219 | -1,202 | -40 | 1 |
| – Forward FX | -8,018 | 31,740 | -35,088 | 3,397 | -7,969 |
| | 755,722 | 429,993 | -362,360 | 276,035 | 1,099,390 |
| Cash deposits | 78,356 | 384,730 | -408,973 | 200 | 54,313 |
| Other Investment balances | 5,259 | 0 | -384 | -95 | 4,780 |
| | 839,337 | 814,723 | -771,717 | 276,140 | 1,158,483 |

The PRAG guidance, Accounting for Derivatives in Pension Schemes, recommends that derivatives are set out separately in the investment reconciliation table for reasons of clarity and are reconciled on a 'net' basis as opposed to 'gross' as reported in the Net Assets Statement.

Included within the above purchases and sales figures are transaction costs of £490,658. Costs are also borne by the scheme in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not therefore separately identifiable.

Details of investments held at year end

| | 31 March 2010 £000 | 31 March 2009 £000 |
|--|-----------------------|-----------------------|
| Investment assets | | |
| Fixed Interest Securities | | |
| – UK Fixed interest government bonds | 0 | 16,846 |
| – UK Fixed interest corporate bonds | 101,206 | 73,657 |
| – Overseas fixed interest government bonds | 6,312 | 5,879 |
| – Overseas fixed interest corporate bonds | 5,997 | 10,352 |
| | 113,515 | 106,734 |
| Index linked securities | | |
| – UK index linked government bonds | 0 | 20,774 |
| – UK index linked corporate bonds | 767 | 5,598 |
| | 767 | 26,372 |
| Equities | | |
| – UK equities | 179,291 | 117,895 |
| – Overseas equities | 340,750 | 229,457 |
| | 520,041 | 347,352 |
| Pooled investment vehicles | | |
| – UK equities | 69,085 | 44,480 |
| – Overseas equities | 122,280 | 72,432 |
| – UK fixed interest government bonds | 31,753 | 0 |
| – UK fixed interest corporate bonds | 17,931 | 15,889 |
| – Overseas fixed interest government bonds | 7,684 | 2,314 |
| – Overseas fixed interest corporate bonds | 3,261 | 7,752 |
| – UK index linked government bonds | 33,206 | 0 |
| – Property | 114,506 | 73,294 |
| – Long-short hedge fund | 59,855 | 51,841 |
| – Currency fund | 13,619 | 14,955 |
| | 473,180 | 282,957 |
| Cash held on deposit | | |
| – Sterling cash | 52,628 | 74,368 |
| – Overseas cash | 1,685 | 3,988 |
| | 54,313 | 78,356 |
| Other investment balances | | |
| – Derivatives assets | 2,156 | 8,845 |
| – Outstanding dividend entitlements | 4,309 | 4,806 |
| – Recoverable tax | 471 | 453 |
| | 6,936 | 14,104 |
| Investment liabilities | | |
| – Derivatives liabilities | -10,269 | -16,538 |
| | 1,158,483 | 839,337 |
| Total of investments held | | |
| Net current assets and liabilities | | |
| Current assets | 9,610 | 6,485 |
| Current liabilities | -1,545 | -656 |
| | 8,065 | 5,829 |
| Total net current assets | 1,166,548 | 845,166 |

Derivative contracts

Objectives and policies

The Wiltshire Pension Fund committee have authorised the use of derivatives by their investment managers as part of the investment strategy for the Fund.

The main objective for the use of key classes of derivatives and the policies followed during the year are summarised as follows:

Options – The Fund allows two of its managers to invest in options as part of their portfolio construction to assist them in achieving performance targets. These options are limited to ‘Over-the-Counter’ contracts purchased on major exchanges and must not exceed specified limits. Option exposures are limited and hedged through the use of futures.

Futures – The Fund allows a number of its managers to invest in futures, within specified exposure limits, as part of their overall portfolio construction to assist them in achieving performance targets.

Forward foreign exchange – In order to maintain an appropriate diversification of investments within the Fund and take advantage of overseas investment returns a proportion of the investment portfolio is invested overseas. To balance the risk of investing in foreign currencies a passive currency hedging programme, using forward foreign contracts, is in place to reduce the currency exposure of the overseas investments. Currently 50% of the overseas equity investments are hedged this way.

The Fund had the following derivative contracts outstanding at the year end relating to its fixed interest investment and passive currency mandate. The details are:

Derivative contracts

Future contracts

| Nature | Nominal amount £000 | Duration | Economic exposure £000 | Asset value at year end £000 | Liability value at year end £000 |
|------------------------------|------------------------|----------------|---------------------------|---------------------------------|-------------------------------------|
| FTSE 100 Index future | 287 | Expires Jun 10 | 16,102 | 139 | |
| Fixed income security | | | | | |
| UK long gilt | -188 | Expires Jun 10 | -21,573 | | -175 |
| Euro bond | -76 | Expires Jun 10 | -8,362 | | -45 |
| US treasury bond | 26 | Expires Jun 10 | 1,990 | 20 | |
| US 10 year treasury | 190 | Expires Jun 10 | 14,561 | | -78 |
| US 2 year treasury | -99 | Expires Jun 10 | -14,159 | | -5 |
| | | | | 159 | -303 |

Options

| Type of option | Expiration | Underlying investment | Nominal amount of outstanding contracts £000 | Asset value at year end £000 | Liability value at year end £000 |
|----------------|------------|-----------------------|---|---------------------------------|-------------------------------------|
| Purchased put | Jun 10 | Euro BOBL future | 164 | 1 | |
| | | | | 1 | 0 |

Forward cash currency contracts

| Contract | Settlement date | Currency bought | Currency sold | Asset value at year end £000 | Liability value at year end £000 |
|-------------|-----------------|-------------------|-------------------|---------------------------------|-------------------------------------|
| Forward OTC | 1 to 6 months | Sterling | Australian dollar | 39 | -308 |
| Forward OTC | 1 to 6 months | Australian Dollar | Sterling | | -38 |
| Forward OTC | 1 to 6 months | Euro | Sterling | 318 | -22 |
| Forward OTC | 1 to 6 months | Sterling | Euro | 796 | -384 |
| Forward OTC | 6 to 12 months | Sterling | Euro | 22 | |
| Forward OTC | 1 to 6 months | Japanese Yen | Sterling | | -115 |
| Forward OTC | 1 to 6 months | Sterling | Japanese Yen | | -287 |
| Forward OTC | 6 to 12 months | Sterling | Japanese Yen | 112 | |
| Forward OTC | 1 to 6 months | Swedish Krona | Sterling | 17 | |
| Forward OTC | 1 to 6 months | Sterling | Swedish Krona | | -477 |
| Forward OTC | 1 to 6 months | Swiss Franc | Sterling | 99 | |
| Forward OTC | 1 to 6 months | Sterling | Swiss Franc | | -417 |
| Forward OTC | 1 to 6 months | US Dollar | Sterling | 477 | -126 |
| Forward OTC | 1 to 6 months | Sterling | US Dollar | 11 | -7,792 |
| Forward OTC | 6 to 12 months | Sterling | US Dollar | 105 | |
| | | | | 1,996 | -9,966 |
| | | | | 2,156 | -10,269 |

10. Investment management expenses

| | 2009 – 10 £000 | 2008 – 09 £000 |
|--|-------------------|-------------------|
| Administration, management and custody | 2,322 | 2,861 |
| Performance measurement services | 37 | 38 |
| | 2,359 | 2,899 |

11. Current assets

| | 31 March 2010 | 31 March 2009 |
|---|---------------|---------------|
| | £000 | £000 |
| Contributions due from other authorities and bodies | | |
| – Employees | 1,428 | 1,105 |
| – Employers | 3,815 | 2,779 |
| Income due from external managers and custodians | 164 | |
| Other | 872 | 2,430 |
| Cash balances | 3,331 | - |
| | 9,610 | 6,485 |

Contributions due at the year end have been paid to the Fund subsequent to the year end in accordance with the Rates & Adjustment certificate.

12. Current liabilities

| | 31 March 2010 | 31 March 2009 |
|-------------------------|---------------|---------------|
| | £000 | £000 |
| Managers / Custody fees | 728 | 576 |
| HMRC | 2 | 1 |
| Other | 815 | 79 |
| | 1,545 | 656 |

13. Additional Voluntary Contributions (AVCs)

Fund members paid contributions totalling £0.130 million (£0.146 million in 2008/09) into their AVC funds during the year. At the year end, the value of funds invested on behalf of Fund members totalled £2.847 million (£2.763 million in 2008/09), made up as follows:

| | £ million |
|---|--------------|
| Equitable Life Assurance Society | |
| – With Profits Fund | 1.082 |
| – Unit Linked Managed Fund | 0.303 |
| – Building Society Fund | 0.055 |
| Clerical Medical Funds | |
| – With Profits Fund | 0.116 |
| – Unit Linked Managed Fund | 0.903 |
| NPI Funds | |
| – Managed Fund | 0.024 |
| – With Profits Fund | 0.237 |
| – Global Care Unit Linked Fund | 0.071 |
| – Cash Deposit Fund | 0.056 |
| | 2.847 |

As mentioned earlier, AVC investments are not included in the Fund's financial statements.

14. Employer related assets

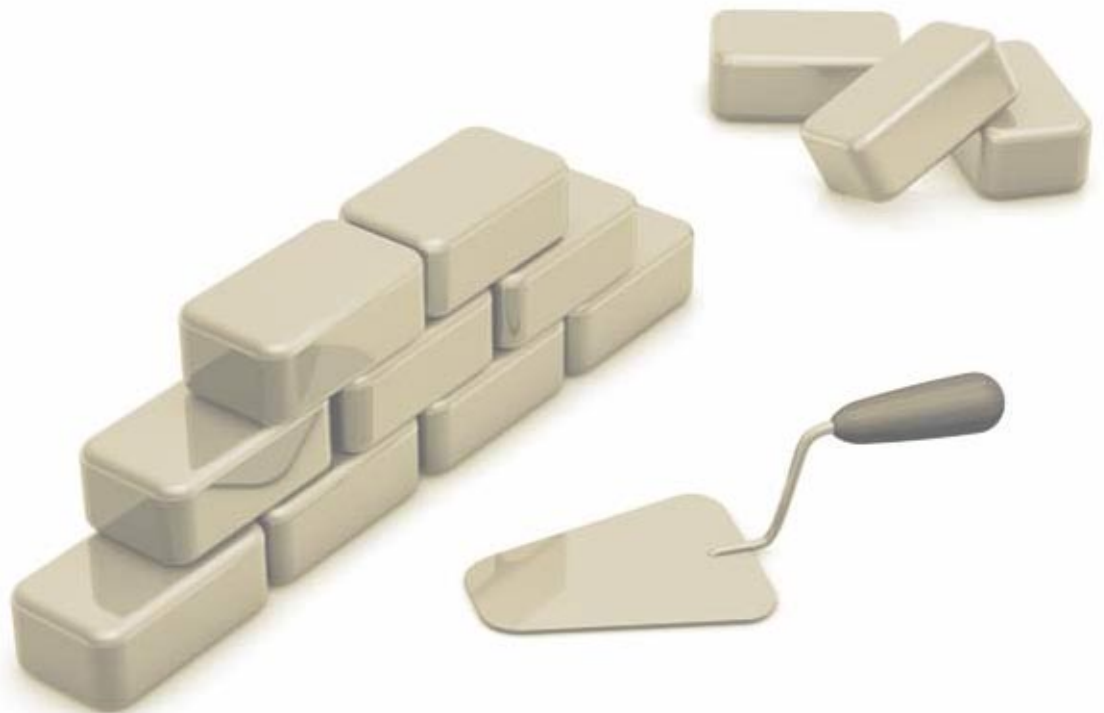
There are no employer related assets within the fund.

15. Guaranteed minimum pension

Nationally, over a number of years, pension funds have made small (but cumulatively potentially

material) overpayments because of miscalculations in the minimum pension guarantee. The Government have confirmed that these amounts will not be reclaimed from pensioners. Although these overpayments are costs to the Fund they have been included as expenditure in previous pension fund accounts, therefore no restatement is necessary.

The Fund is currently analysing the Guaranteed Minimum Pension (GMP) information for Fund Members. Once this information has been finalised and confirmed with the Department for Work & Pensions calculations will be made to convert future payments. There is no information currently available on the materiality of any overpayments.



10. Further information and contacts

The Council produces a number of other publications, as well as this booklet to support its role as administering authority of the Wiltshire Pension Fund. You can request these from the Wiltshire Pension Fund at County Hall, Trowbridge, from our Website at www.wiltshirepensionfund.org.uk or by emailing pensionenquiries@wiltshire.gov.uk

Guide to the Local Government Pension Scheme

This booklet explains the benefits available to employees and their dependants of being in the Fund.

Employers' guide

This is a loose-leaf format publication specifically aimed at staff within employer bodies with responsibility for providing information to the Pensions Section in respect of Fund administration. This will include details for employees within their organisation who are joining the Fund, and Fund members who are retiring, or who may have a change in circumstances affecting their pension entitlements.

Starter packs

These contain information that has to be made available to new employees on their pension entitlements, together with supporting information.

Retirement packs

These contain information for every new pensioner about their pension and other supporting information.

Newsletters

Occasional newsletters are produced, both for participating Fund members and for pensioners, containing information of interest.

Annual benefit statements

Statements are automatically available for all full-time Fund members and those working regular part time hours, and also for deferred pensioners. Statements are also available on request for any Fund member at any time.

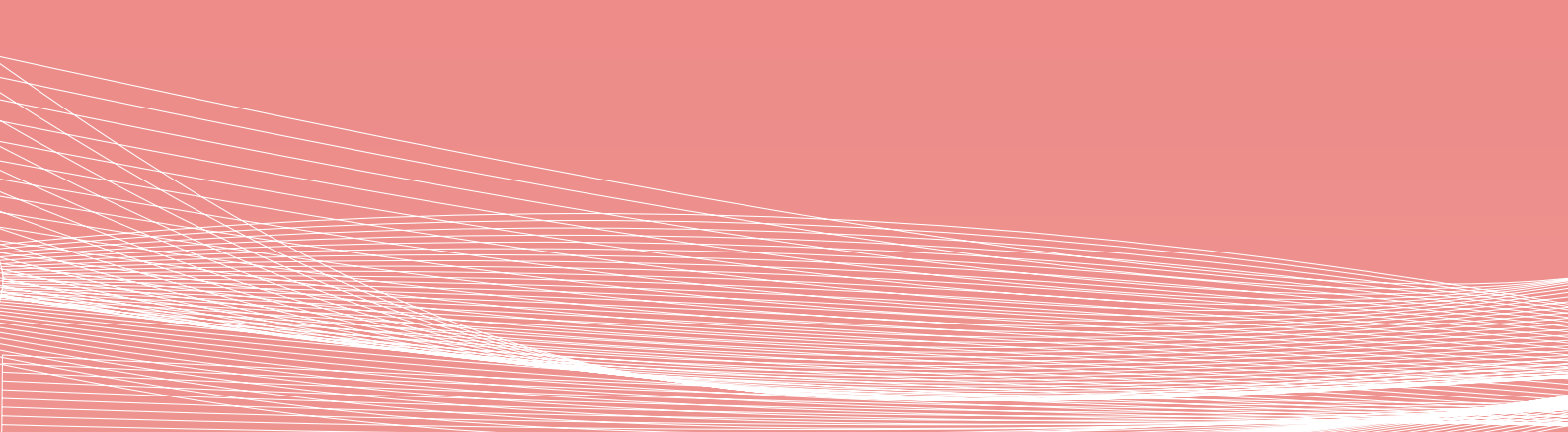
Other information

Various leaflets, posters and fact sheets explaining the Fund and highlighting its benefits are produced. The Pensions Section also has booklets available produced by Prudential on Additional Voluntary Contributions.

For further information contact:

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